



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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April 16, 2009

Maggie Lampey, Executive Director
Grand Oak Hill Community Corporation
4168 Juniata Street
St. Louis, MO 63116

RE: Community Development Block Grant (CDBG)
(Project #2009-CDA37)

Dear Ms. Lampey:

Enclosed is a report of our fiscal monitoring review of the Grand Oak Hill Community Corporation, CDBG Program for the period January 1, 2008, through September 30, 2008. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Grand Oak Hill Community Corporation. Our fieldwork was completed on November 7, 2008.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all federal grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Lorna Alexander, Special Assistant for Development, CDA
Jill Claybour, Acting Executive Director, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**GRAND OAKHILL COMMUNITY CORPORATION
CONTRACT #08-31-33, #08-36-33/ #08-HM-36-33
CFDA #14.218, #14.239**

**FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH SEPTEMBER 30, 2008**

PROJECT #2009-CDA37

DATE ISSUED: APRIL 16, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
GRAND OAK HILL COMMUNITY CORPORATION
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH SEPTEMBER 30, 2008**

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INTRODUCTION

Background

Project Names: Grand Oak Hill CBDO & MAP
Grand Oak Hill Housing Program

Contract Numbers: 08-31-33 (Grand Oak Hill CBDO & MAP)
08-36-33, & 08-HM-36-33 (Grand Oak Hill Housing Program)

CFDA Numbers: 14.218 (Grand Oak Hill CBDO & MAP)
14.239 (Grand Oak Hill Housing Programs)

Contract Periods: January 1, 2008 through December 31, 2008

Contract Amounts: \$243,000 (Grand Oak Hill CBDO & MAP)
\$400,000 (Grand Oak Hill Housing Program)
\$100,000 (Grand Oak Hill Housing Program)

These contracts provided Community Development Block Grant (CDBG) funds to Grand Oak Hill Community Corporation (Agency) for the promotion of neighborhood growth and stabilization through a variety of programs including nuisance abatement and housing development.

Purpose

The purpose was to determine Agency's compliance with federal, state and local CDBG requirements for the period January 1, 2008, through September 30, 2008, and make recommendations for improvements as necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by Community Development Administration (CDA), evidence tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on November 7, 2008.

Exit Conference

The Agency was offered the opportunity for an exit conference on April 2, 2009, but the Agency declined.

INTRODUCTION

Management's Responses

Management's responses to the observations and recommendations were received on April 15, 2009, and have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report dated September 10, 2008, contained one observation:

- Segregation of Duties (**Resolved**)

A-133 Status

A review of the A-133 Audit for the year ended December 31, 2007, issued on May 16, 2008 for the above Agency was conducted by the Internal Audit Section on November 19, 2008. An unqualified opinion was rendered on the general-purpose financial statements; however, a qualified opinion was rendered on the compliance for major programs due to a material weakness found. The Agency was not determined to be a low risk auditee.

The Internal Audit Section reviewed the A-133 report and identified three reportable conditions.

- CFDA #93.044, Title III Part B, SLAAA grant expenditures were incorrectly reported on the Schedule of Federal Expenditures of Federal Awards (SEFA). It reported that the Agency had \$24,080 in expenditures; however, the City general ledger shows expenditures of \$39,500 for the 2007 DHS Title III grant, which is a variance of \$15,420, or a 39.04% difference.
- CFDA #93.045, Title III Part C, SLAAA grant expenditures were incorrectly reported on the SEFA. It reported that the Agency had \$70,546.00 in expenditures; however, the City general ledger shows expenditures of \$37,246.31 for the 2007 DHS Title III grant, a variance of \$33,299.69, or an 89.40%.
- CFDA #14.239, the HOME grant expenditures were not separately reported on the SEFA. They were reported as a portion of CFDA #14.218 expenditures, the Community Development Block Grant. According to the City general ledger, \$37,402.00 of the \$611,950.00 reported on CFDA #14.218 should be separately reported on the SEFA as CFDA #14.239, the HOME grant.

We recommend this audit not be accepted until corrections are made to its SEFA.

SUMMARY OF OBSERVATIONS

Summary of Current Observations

Recommendations are made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDBG requirements.

1. Opportunity to file monthly financial reports in a timely manner
2. Opportunity to track accrual and use of vacation and sick leave

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

1. Opportunity to Submit Monthly Financial Reports in a Timely Manner

Contract #08-31-33 had seven out of the eight monthly financial reports submitted late and contract #08-36-33 and #08-HM-36-33 had four out of the seven combined monthly financial reports submitted late as follows:

| Contract # | Report Month | Due Date | Date Submitted | Days Late |
|---------------------------------------|---------------------|--------------------|-----------------------|------------------|
| 08-31-33 | January 2008 | February 10, 2008 | February 11, 2008 | 1 |
| | March 2008 | April 10, 2008 | April 18, 2008 | 8 |
| | April 2008 | May 10, 2008 | May 15, 2008 | 5 |
| | May 2008 | June 10, 2008 | July 2, 2008 | 22 |
| | June 2008 | July 10, 2008 | July 16, 2008 | 6 |
| | July 2008 | August 10, 2008 | August 12, 2008 | 2 |
| | August 2008 | September 10, 2008 | September 18, 2008 | 8 |
| Total | | | | 52 |
| Average | | | | 7.4 |
| 08-36-33 & 08-HM-36-33 | March 2008 | April 10, 2008 | April 16, 2008 | 6 |
| | April 2008 | May 10, 2008 | May 15, 2008 | 5 |
| | May 2008 | June 10, 2008 | June 12, 2008 | 2 |
| | July 2008 | August 10, 2008 | August 22, 2008 | 12 |
| Total | | | | 25 |
| Average | | | | 6.25 |

Page three of the contract between the Agency and CDA states, "...the Operating Agency shall be required to submit monthly financial statements, as specified in the Operating Agency Fiscal Procedures Manual, no later than the 10th calendar day of each month following the reporting month to the Comptroller's Office - Federal Grants Section...."

The Agency did not have an effective system of internal control in place to ensure compliance with the CDA regulations and the reporting requirement of OMB Circular A-133 compliance requirements.

Non-compliance with the CDA regulations or OMB Circular A-133 reporting compliance requirements may cause a delay or suspension in the processing of reimbursement requests resulting in interruption in the Agency's services to its clients.

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

1. Continued...

Recommendation

It is recommended that the Agency submit its monthly financial reports by the 10th day of the month following the report period for all CDBG contracts.

Management's Response

Grand Oak Hill (GOH) does not concur with the observation that Contract #08-31-33 had seven out of eight monthly financial reports submitted late or that Contract #08-36-33 had four out of seven monthly financial reports submitted late. Monthly financial reports have been regularly faxed on or before the 10th calendar day of the month to Federal Grants followed by an original signed copy that was either mailed or hand delivered to the Federal Grant department. It is the belief of GOH that testing was done based on the submission date of the original signed copy. GOH had been told that the faxed copy was sufficient to meet the requirements for submission. In an effort to track monthly financial report submission, the new policy at GOH is that all financial reports will be scanned and emailed to our designee at Federal Grants. A print copy, with the email time/date will be printed and kept with the GOH copy of the monthly financial report. An original signed copy will then be either mailed or hand delivered to Federal Grants immediately following.

Auditor's Comment

The printed pages or images transmitted were not available to support the timely transmission of the above reports.

**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND
MANAGEMENT'S RESPONSES**

2. Opportunity to Track Accrual and Use of Vacation and Sick Leave

The Agency did not maintain records of the accrual and usage of its employees' sick leave and vacation time for the employees who were paid by the Community Development Block Grant.

A part of internal controls over payroll is the documentation of employee sick leave and vacation that has been earned and taken.

The Agency did not have an effective system of internal control to account for hours charged to the CDBG grant.

The lack of documentation for paid leave can lead to employee discrepancies on time earned and/or taken and ultimately the abuse of paid time taken by employees.

Recommendation

It is recommended that the Agency maintain records of the accrual and usage of employee sick leave and vacation time that is accessible for management to review.

Management's Response

Grand Oak Hill concurs that tracking of employee sick leave and vacation was ineffective. Grand Oak had already changed payroll companies prior to this audit, but not during the time frame in which the audit was being conducted. Our new payroll company, ADP, tracks employee paid time off taken in each pay period and tracks total PTO balance.